

1st Draft
21 November 1950

Dear Mr. Chairman:

~~This is in reference to~~ Your letter of 26 October 1950, requesting information to assist in ~~carrying out~~ the Committee responsibilities to evaluate the effects of laws enacted to reorganize the Executive Branch of the Government. Particular information is requested concerning the Central Intelligence Agency Act of 1949 (Public Law 110, 81st Congress), as well as certain general legislative enactments.

The Central Intelligence Agency Act of 1949 pertains particularly to the Agency's procurement authorities, travel, quarters allowances and related expenses, the Agency's general authorities, and ~~methods of expenditures~~ of appropriated funds. The Act was ~~drafted~~ primarily to improve the administration of CIA, to protect the confidential ~~nature~~ of the Agency's functions (established under Section 102 of the National Security Act of 1947), and to develop a career service in the field of intelligence. In your recent report No. 2581, "Action on Hoover Commission Reports", it is noted that the work of the Central Intelligence

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Agency has been improved as a result of legislative and adminis-

trative action. ^{The} Legislative action ~~thus cited~~ has gone a long way ~~has greatly facilitated the administrative improvement,~~ in solving the problems for the efficient and secure administration

of CIA and in allowing the development of the career service

which is so vitally necessary in carrying out the highly specialized

functions assigned to CIA by law. Without this legislation, it

would have been virtually impossible to conduct our work in

a suitable manner.

Because of the nature of the Agency's activities, I am sure you will understand that it is impossible to give a detailed public report of the type which you request while still maintaining essential security. There are, however, certain things which can be set forth which may be of some assistance to you.

Prior to the passage of the Central Intelligence Agency Act of 1949, CIA was administered under laws and regulations of general application and under authorities of appropriation acts which provided our funds. ~~These authorities, insofar as they were designed for the agencies to which our funds were originally appropriated,~~ ^{OK} were inadequate to serve the special needs of an intelligence agency. ^{Consequently,} administrative officials were required continually to resolve legal and other obstacles by makeshift arrangements in order to provide the necessary services. Public

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Law 110 ^{provide for} establishes the administrative authorities necessary for ^{our} us to carry out our assigned responsibilities, and ~~also~~ ^{needs} includes basic appropriation language, so that appropriated funds may be properly utilized for our specialized needs. This law has provided the flexibility and security for operations necessary for an intelligence organization. The provisions of the Central Intelligence Agency Act authorize ^{the} ~~the~~ use of confidential funds, and ^{we have} ~~their~~ utilization here has been surrounded ^{their utilization} with every possible careful safeguards to assure their valid expenditure. ~~We have developed~~ through experience a series of regulations for the utilization of confidential funds to assure ourselves that they ~~are~~ ^{are} being validly expended. Not only do we ^{utilize strict} ~~have the~~ normal auditing procedures within the Agency, insofar as auditing of confidential funds is possible, but we also maintain a special inspection staff for the continual spot checking of the utilization of confidential funds. Furthermore, our ^{regular} ~~open~~ accounts are audited on a current basis by specially cleared members of the General Accounting Office.

Appropriate regulations have been issued covering the fields of ^{career management,} ~~procurement,~~ education and training, travel allowances and related expenses, which in an intelligence agency cover many

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complex problems incidental to foreign travel not common to most government agencies, medical services program, and career management.

Not only have administrative deficiencies in many of these fields been eliminated; but also action on specific improvements is now permissible in the fields of providing specialized training, a home leave and rotation program for personnel assigned overseas, and exercising the authority [redacted]

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The direct financial savings that have been realized cannot be ascertained in dollars and cents. This is particularly

true because the Central Intelligence Agency is a new agency building a new program on an expanding basis. The current

emergency situation in the Far East has made it necessary to

expand several programs beyond the original contemplated

limits, and therefore a decrease in bulk appropriations

cannot be noted. However, I feel it worthwhile to point out that

when projects are initiated in our operating office, they

are brought before a Projects Review Committee consisting of

senior officials of the Agency, including the Executive or the

[REDACTED]

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Deputy Executive, the Comptroller, and the General Counsel, to

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make certain that the contemplated expenditures come within our

[REDACTED]

budgetary limitations, within our statutory authorities, and within

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[REDACTED]

the overall program of the Agency, and that intelligence will

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[REDACTED]

receive a dollar's value for a dollar spent. In addition, our

management analysis personnel are continually on the lookout

for any possible duplications of functions or personnel, attempt-

ing to assure that this Agency is operated on a businesslike

basis at all times.

As pointed out in our letter to you of 18 July 1949, the Central Intelligence Agency was exempted from the provisions of the Federal Property and Administrative Services Act of 1949, and we have also been exempted from its subsequent amendments. This exemption was granted in view of ^{our} the very special problems in the field of procurement ^{and services.} ~~which~~ Because of the nature of our work, ~~require that special means of procure-~~ ment channels and methods cannot always be followed for reasons of security. However, ~~wherever~~ ^{wherever} it is possible, we have utilized the services of the General Services Administration in all of its fields, and have adopted their procedures wherever feasible. In view of the very recent passage of the Budgetary and Accounting Procedures Act of 1950, we are unable to state

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finally what effects² it will have on this Agency. However, CIA officials are studying the Act and conferring with representatives of the General Accounting Office, the Bureau of the Budget, and the Treasury Department concerning the budgetary accounting and reporting procedures best suited for the needs of this Agency. Our budget presentation has always been ^{made} on the basis of a performance budget. While this Agency has also been exempted from the provisions of the Classification Act of 1949, we have followed standard government classification ~~xxxxxx~~ procedures as well as grade structures throughout.